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WHAT ABOUT THE ROTTING DOLLAR?

By HOWARD BUFFETT

AN OLD FAVORITE among humorists is the story about the husband whose wife caught him in the act of kissing the kitchen maid. A violent argument followed, about equally divided between charges and denials. After 15 minutes of battling, the husband drew himself up with a great show of dignity, and in a tone of finality declared: "Well, honey, it all comes down to this. Are you going to believe me, or are you going to believe your eyes?"

The behavior of the erring husband has its counterpart in the inflation performance of the Roosevelt and Truman Administrations. While both, for political advantage, relentlessly pursued policies causing the dollar to rot, they never ceased declaring it wasn't so. Concurrently they frequently used, with amazing effectiveness, the pickpocket's diversionary trick of hollering "Stop, thief!" at a non-existent fleeing culprit.

As a result, for twenty years the American people have found themselves bewildered by inflation. By this time, many of us know that inflation has taken from us in the last ten years about half the purchasing power of our savings. Nevertheless, we are still nursing the hope that somehow the cost of living will be stabilized, and maybe even the purchasing power of the dollar will rise. This hope got a tremendous boost from the Republican victory in November, 1952.

The Eisenhower Administration took office after an election campaign in which inflation was vigorously condemned, and solemn pledges were made to halt the rotting of the dollar. The Republican platform promised a currency redeemable in gold on demand. Business and banking interests who thoroughly understood the perils of inflation had been dominant in the nomination and election of Eisenhower. Now we were to see sound money restored, was a popular refrain.

BEFORE EXPLORING THE efforts of the Eisenhower Administration to deal with this problem, a resumé of the situation confronting it is in order. When President Roosevelt deliberately abandoned the gold standard in 1933, and substituted irredeemable paper money, he committed America to a monetary course that has always ended in disaster to every country that followed it. No one should be surprised that since then the cost of living has doubled, national deficits are the rule and our debts, public and private, are up in the stratosphere and still climbing.

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To students of monetary history, however, there has been one real surprise in the inflationary pattern as it developed in America. That was the almost indifferent attitude with which the American people have accepted the steady whittling away of the value of our dollar. While there has been considerable "deploring" for public consumption, by bankers and businessmen, privately not a few have evidenced satisfaction and a desire for more of the same.

Except among the well-informed, there has been little evidence of either genuine alarm or vigorous self-protective action. To be sure, there have been flurries of inflationary buying of real property, but there has been no mass movement into tangibles. Instead, the buying of dollar obligations and even the hoarding of cash have featured the public's financial behavior.

This general apathy is a tribute to the shrewdness with which the deterioration of the dollar has been accomplished since 1933. The propaganda by which government made the people believe that, come the right day, inflation will be stopped, acted as a soporific on the public mind. Then of course, the ease with which the government could turn on or off an uncounted number of inflation spigots enabled it to quiet both inflation and deflation fears as they developed.

Thus the new Administration inherited an economy addicted to inflation, yet at a rate so smooth that effectual resistance or opposition did not exist. When top-flight monetary experts took charge of the Treasury there was an immediate upsurge in confidence among those most disturbed about the rotting of the dollar. Steps to end the twenty-year period of money-tinkering and inflationary finance were momentarily expected. And the new Treasury Chiefs, Secretary Humphreys and Deputy Secretary Randolph Burgess, did not disappoint these expectations. The first steps taken presaged a vigorous yet carefully applied effort to put the brakes on inflation. Interest rates were stiffened. Economy plans were translated by Congress into legislative cutbacks on a variety of domestic expenditures. In the agricultural sector of the economy a severe deflation took place in cattle prices and remedial action was promised on surpluses. The outlook this Spring indicated that the rotting of the dollar might soon be halted.

Financial markets reflected the braking effect of these initial anti-inflationary moves. Long-term government bonds declined from five to ten points. Low-rate mortgage money for speculative building began to disappear. Apparently the classic restraints on inflation were beginning to have an effect. What happened?

SOON THE LITTLE READ *Congressional Record* began to record an interesting story. Day by day Left-wing New Deal Democrats in the House and Senate, apparently by prearrangement, began to blast the Treasury and its new policies. Another Republican depression was in the making, they howled. Hard money was coming back, and hard money and hard times were synonomous with Republican Administrations. Higher interest rates were a deliberate move to enrich the bankers at the expense of the common people.

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That this chatter was irresponsible demagoguery gave no comfort to Republican leaders with eyes on the 1954 elections.

And something else was in the political atmosphere. Despite pious talk about an early termination of the foreign handout program, it soon became clear that the Eisenhower Administration was bent on continuing it. Thus the anti-inflationary domestic moves were to be offset by an inflationary foreign policy. This caused rumblings that most certainly got to Washington. One stalwart agricultural Republican worker expressed a widespread feeling in these words, "If the Republican Party is going to play Santa Claus overseas, and Old Scrooge at home, I'm getting out before the roof falls in."

We do not know just what took place among the political chieftains, but we have seen the result. The foot of the Treasury was shifted from the inflation brake pedal to the accelerator. Bank reserve requirements were loosened, the Federal Reserve renewed its paternal interest in the governmnt bond market and interest rates began to soften again. What was done wasn't advertised much, but it revealed a great deal. In a way, it may have answered a $64 inflation question:

Would the Eisenhower Administration, unlike its predecessors, have the will, the integrity and the ability to stop the rotting of the American dollar?

Here is certainly the most decisive question in American economic life. For unless an affirmative answer to this question soon becomes fact, no other financial actions of this Administration can do much permanent good. Just as civilization itself depends on the sanctity of the contract, so does our complex economic structure depend on a sound monetary system. In the absence of a redeemable currency, a sound monetary system has never been preserved anywhere, even for the lifetime of one generation.

Apparently the high councils of the new Administration believe that the alleged Communist military threat requires them to continue to temporize with inflation. They ignore the impressive evidence that the debauchery of our currency is the Kremlin's best ally. It was not long ago that one of Russia's top officials declared to a friend of mine, "The American dollar is the Trojan horse by which we will defeat you Americans." Perhaps the great inflation in China under Chiang Kai-shek and the rotting of the French franc could teach Washington a lesson in this sector of the Communist struggle, if there were a willingness to learn from history.

Still, there must be no disposition to make the rotting of the dollar an issue to be befogged by political invective or carping criticism. We need to make every effort to be understanding and cooperative with those in public office who can be persuaded to make an honest effort to solve this complex problem.

On the other hand, each of us must also look at this problem coolly and realistically. If the new Administration will only fight a sham battle on inflation, the sooner intelligent Americans face up to that fact the better. Here another aspect of the situation deserves attention.

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THE HIGHER OUR debts go and the longer the deterioration of the dollar continues, the more disastrous the ultimate catastrophe will be — and the smaller will be the prospects of salvaging the unalienable rights upon which America's progress and blessings depend. As more and more people understand that the dollar fruits of their lifetime labor are vanishing via a rotting currency, two consequences may follow:

(1) The number of those who have the economic strength to stand up for freedom become smaller.

(2) The number of those scrambling to flee into real values is increased.

The man who is dependent on the State for his bread and butter cannot oppose the governmental policies that make for a totalitarian state. To repeat a historic truth, the preservation of the Republic depends on the existence of an economically independent middle class in decisive numbers. And so, as inflation discourages the middle class, the savers, whose independence is based on a stable value for dollar obligations, the outlook for freedom is darkened.

Is there a solution for this question in the absence of a national administration imbued with the will and the ability to restore sound money, a currency convertible on demand into intrinsic values, a function historically achieved by the gold standard? Possibly not, but certainly every possibility should be explored.

Let us suppose that the Roosevelt-Truman soothing syrup approach to inflation were dropped, and that informed citizens undertook to reveal without restraint both the humbug and the facts about inflation. Suppose these citizens were to spread the knowledge that under present conditions buying war bonds and other dollar contracts made inflation worse by postponing and concealing its effects. Suppose it began to be widely understood that anti-inflation moves by Washington had only the effect of a narcotic that kept the public from discovering the magnitude and true source of the peril.

Suppose that, as a result, a mass movement from currency into things began at once, instead of 3, 5 or 10 years hence, as it must. Such a development would create difficulties, to be sure. But is there any credible reason to believe these difficulties will be less painful or less devastating in the future?

When a sensible person learns he has a dangerous malady, he does not postpone the required corrective medical action because it involves both pain and danger. Irredeemable money is an economic disease (comparable to national cancer) that becomes more virulent the longer remedial action is postponed. Self-interest and patriotism suggest careful appraisal of the relative merits of dollar obligations and tangibles.

Howard Buffett last year retired from Congress, where he served four terms as Representative from the 2nd Nebraska District.

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HUMAN EVENTS

FRANK C. HANIGHEN, *Editor* FRANK CHODOROV, *Associate Editor*

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OCT 15

The Lesson of Durkin: Whoever is chosen to succeed retiring Secretary of Labor Durkin, there is a strong feeling in the Capital that he should not be a member of a trade union. That is the lesson which arises from the experience with Durkin.

The story was never fully spelled out in the general press, but a review of the record — as follows — suggests why Capital observers draw this conclusion:

When Senator Taft cross-examined Durkin at the hearings on his confirmation on January 16, 1953, Durkin stated that he would leave his post as President of the plumbers' union "without any ties whatever to the union other than being a member, without any salary and without any compensation. . . . I will not be a representative of a labor organization, but represent the wage earners of the U. S. . . ." Taft asked him if he would resign as President of the plumbers' union and Durkin replied that he had taken a "leave of absence", adding "I may return at some later date". Taft pounced on this asking "You may return? Is there any agreement that you will return if necessary?" Mr. Durkin: "Oh, no; no agreement."

Many months afterward the above exchange came to mind when Durkin held his celebrated press conference on August 11. There he revealed under questioning from reporters that he expected to go to the AFL convention at St. Louis as a "delegate" of the plumbers' union. One reporter asked: "That's the first time in history, isn't it, that a Secretary of Labor has showed up as a delegate?" Durkin said, "I believe so."

All this seemed a far cry from Durkin's statements six months before that he would have no ties "whatever to the union, other than being a member" and that he would not be a "representative of a labor organization". What is a "delegate" to the AFL convention if not a "representative" of a labor organization?

At the same press conference on August 11, reporters asked him what he would do if he were not satisfied with Ike's labor policies. Durkin said: "I would present my resignation and go back as President of the United Association [plumbers' union]."

Indeed that is exactly what happened. Durkin was not satisfied with Ike's failure to present the famous 19 points of amendment of the Taft-Hartley Act to Congress, he offered his resignation and went back as President of his union. Rather promptly, too.

The above record is the reason why some members of Congress privately expressed themselves much as follows: "We opposed the nomination of Defense Secretary Wilson until he divested himself of General Motors stock. If we had known that Durkin would keep such close connections with his union, we would have been against his confirmation." And that is why there was in preparation during the month of August preceding his resignation a movement to demand the ouster of Durkin from his post as Secretary of Labor, just before he did resign.

In short, the above record suggests why the Capital doesn't want another union member as Secretary of Labor. But what many on Capitol Hill do want is a thorough investigation of this whole matter, calling Durkin to testify.

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Supreme Court: The selection of California Governor Earl Warren to fill the post of Chief Justice of the Supreme Court does the Eisenhower regime no credit. The man has had no bench experience whatsoever and there is no evidence that his early career at the bar showed any distinction. Furthermore, his appointment does nothing to redress the obvious imbalance in favor of New and Fair Dealers among the Nine; quite the contrary. For Warren's political philosophy and record shows him to be a Fair Dealer (indeed, Truman called him that in 1948). Disappointment is keen among lawyers who hoped a worthy jurist might be named to the court — one such as Chief Justice Arthur Vanderbilt of New Jersey.

The appointment shows that Ike's regime is still absorbed in paying debts incurred in winning the GOP nomination at Chicago in July, 1952. For it was the votes of the California delegation (next to New York and Pennsylvania the largest delegation in the convention) to unseat Taft's southern delegates which ensured the defeat of Taft's bid for the nomination and the success of Ike's bid. "For services rendered" — and any politician knows it. The question, however, comes up among Republicans — indeed, among more than Republicans — "When is Ike going to recognize those who enabled him to defeat his Democratic adversary?"

Ike and UN: Capitol Hill was appalled last week when the President sounded off on the subject of the UN before the United States Committee for United Nations Day. The interview was not given much play by the press generally, but it did not escape those in the legislative arm who happened to be in town. They were surprised to learn from Ike's lips that the U.S. is "committed irrevocably" to the support of UN. He also claimed that "there is obviously one deep and abiding bond that joins us together . . . you have faith and belief in the United Nations and so do I". Few members of Congress would agree with this. And the President declared that the UN "still represents man's best organized hope to substitute the conference table for the battlefield . . . who knows what could have happened in these past years of strain and struggle if we hadn't had the United Nations. . . ." A number of legislators who knew much more about the diplomatic struggle of the past few years than Eisenhower will scarcely find such thoughts intelligible, in view of our war against the Reds with "one hand tied behind our backs" by the UN.

Finally, the President emphasized that the UN "is far more than merely a desirable organization in these days. . . . I think the United Nations has become sheer necessity." Later, according to the *Washington Daily News* (Sept. 24), White House sources said that the President opposes the U.S. getting out of the UN if Red China is admitted. These attitudes of the President, if drawn to the attention of the people or any vocal part thereof, might well draw a storm of protest. And if the mail to the White House attacked these utterances, observers here believe, the international "one worlders" around the President would have a bad case of jitters.

Disgrace Abounding: Those along diplomatic row in this town who are still capable of being shocked gasped last Friday when the French Deputy Foreign Minister Schuman made an astonishing speech. He spoke of feelings common to Soviet Russia and France — fear of invasion. And then he announced that the Government would be ready to seek "a guarantee against the modification by force of existing boundaries". The speech was an obvious proposal to guarantee Russia's western frontiers against any change.

This speech was made despite the fact that West Germany has no army at all at present and can have none in the near future that is not under control of the West; and that West Germany recently re-elected a political leader and his following noted for their staunch loyalty towards the West against Russia, and by the most meticulously republican and representative government processes. Diplomats here

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wonder how the U.S. can tolerate such an insolent suggestion which would mean that the enslaved peoples of Eastern Europe — Poland, the Baltic States, the East German populations, etc. — would thereafter have no hope of regaining their freedom. It would be a brave American statesman who would dare to support such a guarantee.

Indiana Story: The individualistic Hoosiers have produced an example — probably unique in our history — of a community protest against taking a Federal grant of money.

Who Do You Know: Or, should it be whom? Anyhow, you know at least one person who ought to be reading HUMAN EVENTS. Send us his name and address, so that we may contact him. A hundred names would be better. (We promise not to mention your name in writing prospects.)

On September 20, telegrams bearing signatures of 44 property-owners went from Lawrence, Indiana, to Attorney General Brownell, Senators Jenner and Capehart and Albert M. Cole, Administrator of the Housing and Home Finance Agency, protesting a Federal grant of $124,800 to the town, as well as a loan of $56,000. The money would be used in paying for water mains and laterals in a new development of 1,383 houses. (The Federal Government "gets into the act" because the locality is contiguous with Fort Benjamin Harrison, a "defense area".) These property owners claim that the expense of this water system should be financed by the builders, and could be done so at considerable savings to the community. The Lawrence town council is behind the grant and loan transaction.

Mr. William J. McGhee, a member of the Lawrence Planning and Zoning Board says: "While this money may be regarded as a gift to Lawrence, it is still public tax money. If similar grants were refused by 15 or 20 of these communities, the taxpayers would save enough money to build a wing of airplanes, or to buy a badly needed radar station. To effect economies, Federal spending must be stopped at the grassroots. This is the way to get tax reduction. The people of the country voted for a new broom last election. The broom is not sweeping clean. It is acting like a rake with several teeth missing. Holdover civil service appointees still seem to be spending the taxpayers' money."

In the telegram to Attorney General Brownell, the Senators and Mr. Cole, the Lawrence taxpayers expressed confidence that a Federal investigation would show that this grant is squandering the taxpayers' money. "If the taxpayers are to have any relief, questionable projects of this kind must be eliminated. We suggest that a thorough investigation must be made to protect both the taxpaying citizens of Lawrence and the taxpayers of the U.S.A."

Brazil: Our best friend in Latin America stands at a crossroads in her economic course; one road leading to nationalization of foreign oil properties, the other in the direction of free enterprise for all investors, domestic and foreign.

Brazil has been a good friend to the U.S. and now has as Foreign Secretary former Ambassador Aranha, who lived many years in the U.S. and has been known for his friendly attitude towards us. Hence, Americans have persuasively argued with this "friend at court" the cause of free enterprise. For Brazil today must choose.

That country suffers from an economic malady — the so-called "dollar gap", which has slowed down her recent prodigious economic progress. Brazilian economy does not have the dollar balances without which its citizens cannot buy American consumer goods wanted by Brazilian consumers and American producer goods necessary to build up the country. The deficit in her international export-import balance sheet is about $250 million. And that is just about what Brazil spends to import oil, gasoline and lubricants — there being presently no domestic oil industry.

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Yet Brazil has oil in the ground which could free her of these import burdens if it were developed. American companies would be willing to extract and refine this Brazilian oil — if restrictive laws were removed or effectively amended, so as to make it economically profitable for the companies. At this point, they collide with popular sentiment stimulated by a propaganda campaign of the Brazilian Communists — for "Our Oil". Hence the business of amending the petroleum legislation has become a political football in Brazil.

However, today, it is believed that those who run the Brazilian Government are willing to do the needful. They understand the problem and they are no dupes of Communist propaganda. It is reported that they are prepared to smooth the way for necessary changes in the oil statutes so that American know-how and capital will take the financial risks involved in developing this country's petroleum. The task may take six months or a year, but the job will be done, according to those who have studied the situation on the ground recently.

On the Firing Line: The uprising in the Middle West in favor of passage of the Bricker Amendment exerted great influence on the Republican women's gathering in Chicago last week. So vocal and well-organized was this demand that it brought swift results. The New Deal Republicans had left Taft's name out of a film about the GOP's Congressional record of the past six months. A roar of protest drew apologies. Then Ike stopped off in Chicago, and made a speech praising Taft and Dirksen. The ladies have demonstrated how to get results in politics. Now, similar groups are slated to act at the GOP women's conference in Atlantic City later this week.

● "Voters USA, Maryland Branch" gets out an interesting and provocative monthly booklet. Editor is Virginia Starr Freedom, former Hearst newspaperwoman. The September number remarks: "In the case of Korea, we have displayed an alarming apathy as a people, in that we have demonstrated no appreciable indignation at the news of the hideous atrocities perpetrated upon our fighting men — no revulsion toward our British allies, who kept up a steady trade with the enemy throughout the period of fighting — no awareness of the immorality and amorality of our fellow 'members of the UN'. . . . Any Acheson-type 'formula', even if it includes an abject apology by Red China, to recognize the Peiping regime, will be one more step on the road to World Communist victory. Watch for it — and if you are interested do something about it."

Voters USA has its headquarters in Maryland at 146 W. Lanvale Street, Baltimore 17. We gather that the organization has been working hard for passage of the Bricker Amendment. A leaflet says: "Many throughout the country have decided the wisest strategy is to concentrate upon one thing at a time, and not scatter our fire. At present they have chosen to work for the Bricker Amendment, get out buttons, petitions for action on the amendment limiting the abuses of treaty power."

● The Ohio Coalition of Patriotic Societies is holding a seminar this week on socialism and Communism, with headquarters in the Oneta Hotel, Canton, Ohio. There will be five sessions of the conference on October 3 and 4. We note with pleasure that the group will discuss two pieces from HUMAN EVENTS — "The Literary Market: 1952-53", by John Chamberlain and "Smog All Around the Clock", by Dr. E. Merrill Root.

● *Facts Forum*, Dallas, Texas, gets out a monthly bulletin. In the latest, for September, there are transcripts of interesting radio and TV programs, including an interview with Senator McCarthy. We note that one broadcast gives credit in its bibliography to "Appeasement A la Mode", by Freda Utley, HUMAN EVENTS' issue of June 24.

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